

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>FREMONT TOWNSHIP</b>	County <b>SAGINAW</b>
Audit Date <b>3/31/05</b>	Opinion Date <b>6/29/05</b>	Date Accountant Report Submitted to State: <b>7/15/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>BERTHIAUME &amp; COMPANY CPAS</b>			
Street Address <b>60 HARROW LANE</b>	City <b>SAGINAW</b>	State <b>MI</b>	ZIP <b>48638</b>
Accountant Signature <i>Kenneth Berthiaume</i>			Date <b>7-15-05</b>

# **FREMONT TOWNSHIP**

Saginaw County, Michigan

## **FINANCIAL STATEMENTS**

March 31, 2005

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## **INDEPENDENT AUDITORS' REPORT**

To the Township Board  
Fremont Township, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fremont Township, Michigan as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Fremont Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Fremont Township, Michigan, as of March 31, 2005, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Fremont Township's basic financial statements. The accompanying other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be part of, the basic financial statements.

As described in Note 11, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and related statements, as of April 1, 2004.

*Berthiaume & Co.*

June 29, 2005

## ***BASIC FINANCIAL STATEMENTS***

# FREMONT TOWNSHIP

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## STATEMENT OF NET ASSETS

March 31, 2005

	<b><i>Governmental Activities</i></b>
<b>Assets:</b>	
Cash and cash equivalents	\$ 240,036
Receivables	33,337
Prepaid items and other assets	49,604
Capital assets:	
Nondepreciable capital assets	3,420
Depreciable capital assets, net	<u>19,055</u>
 Total assets	 <u>345,452</u>
 <b>Liabilities:</b>	
Accounts payable and accrued expenses	<u>21,756</u>
 Total liabilities	 <u>21,756</u>
 <b>Net assets:</b>	
Invested in capital assets, net of related debt	22,475
Restricted for:	
Future construction code activities	1,812
Unrestricted	<u>299,409</u>
 Total net assets	 <u>\$ 323,696</u>

*The accompanying notes are an integral part of these financial statements.*

# FREMONT TOWNSHIP

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## STATEMENT OF ACTIVITIES

Year Ended March 31, 2005

		<u>Program Revenues</u>		<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
	<u>Expenses</u>			
<b>Functions/Programs</b>				
<b>PRIMARY GOVERNMENT:</b>				
<i>Governmental activities:</i>				
General government	\$ 90,654	\$ 2,300	\$ 3,055	\$ (85,299)
Public safety	41,750	22,927	-	(18,823)
Public works	172,669	67,684	6,450	(98,535)
Community and economic development	26,430	1,050	-	(25,380)
Recreation and culture	4,200	-	-	(4,200)
	<u>4,200</u>	<u>-</u>	<u>-</u>	<u>(4,200)</u>
 Total governmental activities	 \$ 335,703	 \$ 93,961	 \$ 9,505	 \$ (232,237)

continued

*The accompanying notes are an integral part of these financial statements.*

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	<b><i>Governmental Activities</i></b>
	<u>                    </u>
<b><i>Changes in net assets:</i></b>	
Net (Expense) Revenue	\$ (232,237)
<b><i>General revenues:</i></b>	
Taxes:	
Property taxes, levied for general purpose	65,492
Franchise taxes	180
Grants and contributions not restricted to specific programs	143,094
Unrestricted investment earnings	4,196
Miscellaneous	<u>676</u>
 Total general revenues	 <u>213,638</u>
 Change in net assets	 (18,599)
 Net assets, beginning of year	 <u>342,295</u>
 Net assets, end of year	 <u><u>\$ 323,696</u></u>



# FREMONT TOWNSHIP

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## GOVERNMENTAL FUNDS

### BALANCE SHEET

March 31, 2005

	<i><b>General Fund</b></i>	<i><b>Trash Fund</b></i>	<i><b>Total Governmental Funds</b></i>
<b>Assets:</b>			
Cash and cash equivalents	\$ 140,381	\$ 99,655	\$ 240,036
Taxes receivable	4,837	-	4,837
Accounts receivable	300	6,035	6,335
Due from other governmental units	22,165	-	22,165
Prepaid expenditures	<u>43,500</u>	<u>6,104</u>	<u>49,604</u>
 Total assets	 <u>\$ 211,183</u>	 <u>\$ 111,794</u>	 <u>\$ 322,977</u>
 <b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable and accrued expenses	<u>\$ 3,725</u>	<u>\$ 18,031</u>	<u>\$ 21,756</u>
 Total liabilities	 <u>3,725</u>	 <u>18,031</u>	 <u>21,756</u>
 <b>Fund balances:</b>			
Reserved for:			
Prepaid expenditures	43,500	6,104	49,604
Future construction code activities	1,812	-	1,812
Unreserved:			
General fund	162,146	-	162,146
Special revenue funds	<u>-</u>	<u>87,659</u>	<u>87,659</u>
 Total fund balances	 <u>207,458</u>	 <u>93,763</u>	 <u>301,221</u>
 Total liabilities and fund balances	 <u>\$ 211,183</u>	 <u>\$ 111,794</u>	 <u>\$ 322,977</u>

*The accompanying notes are an integral part of these financial statements.*

# FREMONT TOWNSHIP

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## RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

March 31, 2005

**Total fund balances for governmental funds** \$ 301,221

Total net assets reported for governmental activities in the statement of  
of net assets is different because:

Capital assets used in governmental activities are not financial resources  
and therefore are not reported in the governmental funds.

Governmental capital assets	60,576	
Less accumulated depreciation	<u>(38,101)</u>	<u>22,475</u>

**Net assets of governmental activities** \$ 323,696

*The accompanying notes are an integral part of these financial statements.*

# FREMONT TOWNSHIP

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## GOVERNMENTAL FUNDS

### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended March 31, 2005

	<i>General Fund</i>	<i>Trash Fund</i>	<i>Total Governmental Funds</i>
<b>Revenues:</b>			
Property taxes	\$ 65,493	\$ -	\$ 65,493
Licenses and permits	23,107	-	23,107
State grants	150,386	-	150,386
Charges for services	1,050	67,660	68,710
Interest and rents	4,926	1,170	6,096
Other revenue	1,075	2,237	3,312
	<u>246,037</u>	<u>71,067</u>	<u>317,104</u>
Total revenues			
<b>Expenditures:</b>			
<b>Current:</b>			
General government	74,238	-	74,238
Public safety	41,750	-	41,750
Public works	97,002	75,667	172,669
Community and economic development	27,597	-	27,597
Recreation and culture	4,200	-	4,200
Other	13,453	-	13,453
Capital outlay	5,909	-	5,909
	<u>264,149</u>	<u>75,667</u>	<u>339,816</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	(18,112)	(4,600)	(22,712)
Fund balances, beginning of year, as restated	<u>225,570</u>	<u>98,363</u>	<u>323,933</u>
Fund balances, end of year	<u>\$ 207,458</u>	<u>\$ 93,763</u>	<u>\$ 301,221</u>

*The accompanying notes are an integral part of these financial statements.*

# **FREMONT TOWNSHIP**

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## **RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

Year Ended March 31, 2005

**Net change in fund balances - total governmental funds** \$ (22,712)

Total change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.

Capital outlay	5,909	
Less depreciation expense	<u>(1,796)</u>	<u>4,113</u>

**Change in net assets of governmental activities** \$ (18,599)

*The accompanying notes are an integral part of these financial statements.*

***NOTES TO FINANCIAL STATEMENTS***

# FREMONT TOWNSHIP

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## NOTES TO FINANCIAL STATEMENTS

March 31, 2005

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### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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The accounting policies of Fremont Township conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

#### **Reporting Entity:**

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Township. In evaluating the Township as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the Township may be financially accountable and, as such, should be included within the Township's financial statements. The Township (the primary government) has no component units and accordingly, the Township has not consolidated any entities into its financial statements.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation:**

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

#### ***Government-wide Financial Statements:***

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the primary government. These statements distinguish between activities that are governmental and those that are business-type activities. There are no business-type activities.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township's net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The Township first utilizes restricted resources to finance qualifying activities.

# FREMONT TOWNSHIP

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2005

The statement of activities reports both the gross and net cost of each of the Township's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The Township does not allocate indirect costs. In creating the government-wide financial statements the Township has eliminated interfund transactions.

The government-wide focus is on the sustainability of the Township as an entity and the change in the Township's net assets resulting from current year activities.

### ***Fund Financial Statements:***

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Fiduciary funds are accounted for on a spending or economic resources measurement focus and the accrual basis of accounting.

# FREMONT TOWNSHIP

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2005

The Township reports the following major governmental funds:

The **General Fund** is the primary operating fund of the Township. It is used to account for all financial resources, except for those required to be accounted for in another fund.

The **Trash Fund** is used to account for the revenues and expenditures for trash services.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do no conflict with or contradict guidance of the Governmental Accounting Standards Board.

### Assets, Liabilities and Equity:

**Deposits and Investments** – Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. Investments, if any, are stated at fair value. For purposes of the statement of cash flows, the Township considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

**Interfund Receivables and Payables** – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

**Inventories and Prepaid Items** – Inventories of governmental funds are recorded as expenditures when purchased rather than when consumed. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Capital Assets** – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The Township defines capital assets as assets with an initial individual cost in excess of \$1,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Public domain (infrastructure) assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) are capitalized if acquired after April 1, 2004. Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20-50 years
Furniture and equipment	5-20 years
Site improvements	20 years

**Compensated Absences** – The Township does not allow the carryover of unused sick or vacation days. Therefore, no liability has been recorded in the government-wide financial statements.

**Long-term Obligations** – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets.



# FREMONT TOWNSHIP

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2005

**Fund Equity** – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

### **Use of Estimates:**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### **Eliminations and Reclassifications:**

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the “grossing up” effect on assets and liabilities within the governmental activities column.

### **Property Taxes:**

Township property taxes are attached as an enforceable lien on property as of July 1 for the summer levy and December 1 for the winter levy. Taxes levied July 1 and December 1 are due without penalty on or before September 14 and February 28, respectively. These tax bills include the Township’s own property taxes and taxes billed on behalf of Saginaw County and the school districts within the Township boundaries.

The 2004 taxable valuation of the Township totaled \$54,204,873, on which ad valorem taxes levied consisted of .9397 mills for the Township’s operating purposes.

The delinquent real property taxes of the Township are purchased by Saginaw County. The delinquent real property taxes are received soon enough after year end to be recorded as revenue in the current year.

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## NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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### **Budgetary Information**

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Township Clerk submits to the Township Board a proposed operating budget by fund for each year. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to April 1, the budget is legally enacted by adoption of the Township Board.

# FREMONT TOWNSHIP

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2005

4. Any revision that alters the total expenditures of any fund must be approved by the Township.
5. Formal budgetary integration is employed as a management control device during the year for all funds.
6. Governmental fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the General Fund and Special Revenue Fund budgets as originally adopted and amended by the Township Board is included in the required supplemental information.
7. All annual appropriations lapse at fiscal year end.

### Excess of Expenditures over Appropriations in Budgeted Funds:

During the year, the Township did not incur expenditures that were materially in excess of the amounts budgeted.

### State Construction Code Act:

The Township oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus generated since January 1, 2000 is as follows:

Cumulative surplus at April 1, 2004		\$	-
Current year building permit revenue			22,927
Related expenditures:			
Direct costs	18,818		
Indirect costs	<u>2,297</u>		<u>21,115</u>
Cumulative surplus at March 31, 2005		\$	<u>1,812</u>

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## NOTE 3: DEPOSITS AND INVESTMENTS

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The Township's deposits at March 31, 2005 are included in the statement of net assets under the following categories:

	<i>Governmental</i>
	<u><i>Activities</i></u>
Cash and cash equivalents	<u>\$ 240,036</u>

# FREMONT TOWNSHIP

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2005

### Deposits:

The breakdown in deposits for the Township is as follows:

	<i>Governmental Activities</i>
Bank deposits (checking accounts, savings accounts, and certificates of deposit)	<u>\$ 240,036</u>

The deposits of the governmental activities were reflected in the accounts of financial institutions (without recognition of checks written but not yet cleared or of deposits in transit) at \$240,650, of which \$210,387 is covered by federal depository insurance and the remainder was uninsured and uncollateralized. The Township believes that due to the dollar amount of cash deposits and the limits of the FDIC insurance, it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk each institution; only those institutions with an acceptable estimated risk level are used as depositories.

### Investments:

State statutes authorize the Township to invest surplus funds in certificates of deposit, savings accounts and deposit accounts with banks and savings and loan associations which are members of FDIC, credit unions which are insured by NCUA, bonds, bills or notes of the U.S., commercial paper rated within the 3 highest classifications established, U.S. or federal agency obligation repurchase agreements, bankers' acceptances and mutual funds composed entirely of the aforementioned investments that are legal for direct investment by a Township.

Investments are categorized into these three categories of credit risk:

*Category 1* – Insured or registered, or securities held by the Township or its agent in the Township's name;

*Category 2* – Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Township's name; and

*Category 3* – Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Township's name.

At March 31, 2005, the Township had no investments.

# FREMONT TOWNSHIP

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2005

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### NOTE 4: CAPITAL ASSETS

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Governmental activities capital asset activity for the year ended March 31, 2005 was as follows:

	<i><u>Beginning Balance</u></i>	<i><u>Additions</u></i>	<i><u>Retirements</u></i>	<i><u>Ending Balance</u></i>
<b>Governmental activities:</b>				
Nondepreciable capital assets:				
Construction in progress	\$ -	\$ 3,420	\$ -	\$ 3,420
Depreciable capital assets:				
Buildings and improvements	28,130	-	-	28,130
Furniture and equipment	12,217	2,489	-	14,706
Site improvements	14,320	-	-	14,320
Total depreciable capital assets	54,667	2,489	-	57,156
Accumulated depreciation	(36,305)	(1,796)	-	(38,101)
Depreciable capital assets, net	18,362	693	-	19,055
Governmental activities, capital assets, net	<u>\$ 18,362</u>	<u>\$ 4,113</u>	<u>\$ -</u>	<u>\$ 22,475</u>

Depreciation expense was charged to functions as follows:

<b>Governmental activities:</b>	
General government	\$ 1,778
Community and economic development	<u>18</u>
Total governmental activities	<u>\$ 1,796</u>

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### NOTE 5: LONG-TERM LIABILITIES

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The Township had no long-term liabilities at March 31, 2005.

# FREMONT TOWNSHIP

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2005

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### NOTE 6: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

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Receivables and payables as of year end for the Township's governmental activities in the aggregate are as follows:

	<i>Governmental Activities</i>
<b>Receivables:</b>	
Taxes	\$ 4,837
Accounts	6,335
Intergovernmental	<u>22,165</u>
Total receivables	<u>\$ 33,337</u>
<b>Accounts payable and accrued expenses:</b>	
Accounts	\$ 21,233
Payroll liabilities	<u>523</u>
Total accounts payable and accrued expenses	<u>\$ 21,756</u>

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### NOTE 7: INTERFUND BALANCES AND TRANSFERS

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The Township had no outstanding interfund receivable and payable balances at March 31, 2005.

There were no interfund transfers during the fiscal year.

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### NOTE 8: RISK MANAGEMENT

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The Township is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, employee injuries (workers' compensation), and natural disasters. The Township manages its liability and property risk by participating in Michigan Township Participating Plan, a public entity risk pool providing property and liability coverage to its participating members.

The Township pays an annual premium to Michigan Township Participating Plan for its insurance coverage. The Michigan Township Participating Plan is self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence-based property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place the responsibility of small charges with the insured. Settled claims resulting from these risks have not exceeded the amount of insurance coverage in the past three fiscal years.

# FREMONT TOWNSHIP

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2005

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### NOTE 9: EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

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#### **Pension Plan:**

The Township has no pension plan.

#### **Post Employment Benefits:**

The Township provides no post employment benefits to its retirees.

#### **Deferred Compensation Plan:**

The Township has no deferred compensation plan.

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### NOTE 10: FUND EQUITY

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Specific reservations on fund equity include:

**Reserved for prepaid expenditures** – This reserve was created to indicate that the portion of fund balance represented by prepaid expenditures is not available for appropriation.

**Reserved for future construction code activities** – This reserve was created to indicate that the portion of fund balance represented by future construction code activities is not available for appropriation.

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### NOTE 11: PRIOR PERIOD ADJUSTMENTS

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#### **Accounting Change:**

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments* (Statement). The Township is required to implement the new requirements for the year ended March 31, 2005. The more significant of the changes to the financial statements as a result of the Statement are as follows:

For the first time, the financial statements will include:

- Government-wide financial statements prepared using full accrual accounting for all of the Township's activities.
- Fund financial statements, consisting of a series of statements that focus on a government's major governmental funds.

As a result of implementing the Statement, the following restatements were made to beginning fund balance and net asset accounts:

# FREMONT TOWNSHIP

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2005

### Government-wide Financial Statements:

Beginning net assets for governmental activities was determined as follows:

Fund balances of general and special revenue funds as of 3/31/04, as restated	\$ 323,933
Add: Governmental capital assets, including general fixed assets, as of 3/31/04	54,667
Deduct: Accumulated depreciation as of 3/31/04 on above governmental capital assets	<u>(36,305)</u>
Governmental net assets, restated, as of 3/31/04	<u>\$ 342,295</u>

### Change in Recognition of Sales Tax Revenue:

Recognition of state shared revenue payments of sales tax should agree with the State of Michigan's distribution periods. In prior years, the payment distributed in April for January/February collection period was recorded as revenue in the next year, or the year that it was received. In accordance with accounting principles generally accepted in the United States of America, this payment should be accrued to the prior year.

The effect of this adjustment on General Fund fund balance is as follows:

Fund balance, as previously stated, as of 3/31/04	\$ 206,311
Add: State shared revenue for sales tax that should have accrued to prior year	<u>19,259</u>
Fund balance, restated, as of 3/31/04	<u>\$ 225,570</u>

***REQUIRED SUPPLEMENTAL INFORMATION***



# FREMONT TOWNSHIP

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## GENERAL FUND

### BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2005

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Actual</i>
	<i>Original</i>	<i>Final</i>		<i>Over (Under)</i> <i>Final Budget</i>
<b>Revenues:</b>				
Property taxes	\$ 64,000	\$ 64,000	\$ 65,493	\$ 1,493
Licenses and permits	24,000	24,000	23,107	(893)
State grants	150,000	150,000	150,386	386
Charges for services	-	-	1,050	1,050
Interest and rents	7,000	7,000	4,926	(2,074)
Other revenue	-	-	1,075	1,075
Total revenues	<u>245,000</u>	<u>245,000</u>	<u>246,037</u>	<u>1,037</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	74,400	76,050	74,238	(1,812)
Public safety	42,000	43,500	41,750	(1,750)
Public works	70,300	97,900	97,002	(898)
Community and economic development	26,500	27,750	27,597	(153)
Recreation and culture	4,200	4,200	4,200	-
Other	13,500	13,500	13,453	(47)
Capital outlay	<u>6,100</u>	<u>6,100</u>	<u>5,909</u>	<u>(191)</u>
Total expenditures	<u>237,000</u>	<u>269,000</u>	<u>264,149</u>	<u>(4,851)</u>
Excess (deficiency) of revenues over expenditures	8,000	(24,000)	(18,112)	5,888
Fund balance, beginning of year, as restated	<u>225,570</u>	<u>225,570</u>	<u>225,570</u>	<u>-</u>
Fund balance, end of year	<u>\$ 233,570</u>	<u>\$ 201,570</u>	<u>\$ 207,458</u>	<u>\$ 5,888</u>

# FREMONT TOWNSHIP

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## SPECIAL REVENUE FUND – TRASH FUND

### BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2005

	<i><b>Budgeted Amounts</b></i>		<i><b>Actual</b></i>	<i><b>Actual</b></i>
	<i><b>Original</b></i>	<i><b>Final</b></i>	<i><b>Actual</b></i>	<i><b>Over (Under) Final Budget</b></i>
<b>Revenues:</b>				
Charges for services	\$ 70,000	\$ 70,000	\$ 67,660	\$ (2,340)
Interest and rents	-	-	1,170	1,170
Other revenue	-	-	2,237	2,237
	<u>70,000</u>	<u>70,000</u>	<u>71,067</u>	<u>1,067</u>
Total revenues				
	<u>70,000</u>	<u>70,000</u>	<u>71,067</u>	<u>1,067</u>
<b>Expenditures:</b>				
<i><b>Current:</b></i>				
Public works	<u>78,000</u>	<u>78,000</u>	<u>75,667</u>	<u>(2,333)</u>
	<u>78,000</u>	<u>78,000</u>	<u>75,667</u>	<u>(2,333)</u>
Total expenditures				
	<u>78,000</u>	<u>78,000</u>	<u>75,667</u>	<u>(2,333)</u>
Excess (deficiency) of revenues over expenditures	(8,000)	(8,000)	(4,600)	3,400
Fund balance, beginning of year	<u>98,363</u>	<u>98,363</u>	<u>98,363</u>	<u>-</u>
Fund balance, end of year	<u>\$ 90,363</u>	<u>\$ 90,363</u>	<u>\$ 93,763</u>	<u>\$ 3,400</u>

***OTHER SUPPLEMENTAL INFORMATION***

# FREMONT TOWNSHIP

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## GENERAL FUND

### DETAILED SCHEDULE OF REVENUES

Year Ended March 31, 2005

**Revenues:**

***Current taxes:***

Property taxes	\$ 50,892
Administration fees	<u>14,601</u>
	<u>65,493</u>

***Licenses and permits:***

Nonbusiness licenses and permits	22,927
CATV franchise fees	<u>180</u>
	<u>23,107</u>

***State grants:***

Summer tax reimbursement	3,055
State revenue sharing - sales tax	143,094
Metro authority right-of-way	<u>4,237</u>
	<u>150,386</u>

***Charges for services:***

Zoning/Variance/Appeals fees	<u>1,050</u>
	<u>1,050</u>

***Interest and rents:***

Interest	3,026
Rents	<u>1,900</u>
	<u>4,926</u>

***Other revenue:***

Cemetery lots	400
Reimbursements	615
Refunds and rebates	<u>60</u>
	<u>1,075</u>

Total revenues	<u><u>\$ 246,037</u></u>
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# FREMONT TOWNSHIP

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## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES

Year Ended March 31, 2005

**Expenditures:**

***General Government:***

*Board:*

Personnel	\$ 2,190
Supplies	1,308
Contracted services	544
Mileage	564
Memberships and dues	1,212
Conferences	1,769
Printing and publications	616
Other	225
	<u>8,428</u>

*Supervisor:*

Personnel	<u>8,359</u>
	<u>8,359</u>

*Clerk:*

Personnel	<u>9,389</u>
	<u>9,389</u>

*Audit:*

Contracted services	<u>1,575</u>
	<u>1,575</u>

*Board of Review:*

Personnel	<u>1,450</u>
	<u>1,450</u>

*Treasurer:*

Personnel	<u>15,965</u>
	<u>15,965</u>

*Assessor:*

Supplies	4,690
Contracted services	8,718
Mileage	361
Printing and publications	446
	<u>14,215</u>

# FREMONT TOWNSHIP

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## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended March 31, 2005

**Expenditures, continued:**

***General Government, continued:***

*Elections:*

Supplies	\$ 286
Contracted services	2,250
Printing and publications	524
Other	100
	<u>3,160</u>

*Buildings and Grounds:*

Personnel	2,903
Supplies	402
Contracted services	420
Telephone	1,023
Utilities	2,138
Repairs and maintenance	1,812
	<u>8,698</u>

*Attorney:*

Contracted services	1,989
	<u>1,989</u>

*Cemetery:*

Personnel	1,010
	<u>1,010</u>

Total general government 74,238

***Public Safety:***

*Fire:*

Contracted services	41,750
	<u>41,750</u>

Total public safety 41,750

***Public Works:***

*Roads:*

Contracted services	85,748
	<u>85,748</u>

*Drains - Public Benefit, at Large:*

Contracted services	10,778
	<u>10,778</u>

# FREMONT TOWNSHIP

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## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended March 31, 2005

**Expenditures, continued:**

***Public Works:***

*Street Lighting:*

Utilities	\$ 476
	<u>476</u>

Total public works	<u>97,002</u>
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***Community and Economic Development:***

*Zoning:*

Personnel	21,495
Supplies	744
Contracted services	1,922
Mileage	1,237
Dues and memberships	1,312
Seminars	726
Other	161
	<u>27,597</u>

Total community and economic development	<u>27,597</u>
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***Recreation and Culture:***

*Parks:*

Contracted services	1,700
	<u>1,700</u>

*Library:*

Other	2,500
	<u>2,500</u>

Total recreation and culture	<u>4,200</u>
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***Other:***

Insurance	8,895
Payroll taxes	4,558
	<u>13,453</u>

Total other	<u>13,453</u>
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***Capital Outlay:***

General government	4,823
Community and economic development	1,086
	<u>5,909</u>

Total capital outlay	<u>5,909</u>
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Total expenditures	<u>\$ 264,149</u>
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# FREMONT TOWNSHIP

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## FIDUCIARY FUND

### COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

March 31, 2005

	<i><u>Beginning Balance</u></i>	<i><u>Additions</u></i>	<i><u>Reductions</u></i>	<i><u>Ending Balance</u></i>
<b><u>Current Tax Collection Fund:</u></b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ -	\$ 1,375,606	\$ 1,375,606	\$ -
<b>Liabilities:</b>				
Accounts payable and accrued expenses	\$ -	\$ 2,456	\$ 2,456	-
Due to other funds	-	125,287	125,287	-
Due to other governmental units	-	1,247,863	1,247,863	-
Total liabilities	\$ -	\$ 1,375,606	\$ 1,375,606	\$ -





## **MANAGEMENT LETTER**

To the Township Board  
Fremont Township, Michigan

We have completed our audit of the financial statements of Fremont Township for the year ended March 31, 2005, and have issued our report thereon dated June 29, 2005. As part of our examination, we made a study and evaluation of the Township's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the Township's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The Township's administration is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by the administration are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide the administration with reasonable, but not absolute assurance that assets are safeguarded against unauthorized use or disposition and that transactions are executed in accordance with the administration's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may, nevertheless, occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of Fremont Township taken as a whole. Our study and evaluation disclosed no conditions that we believe to be material weaknesses in the current year. However, we did note the following:

### **Current Year Comments:**

#### **Disbursements and Bank Reconciliation Process:**

We noted that the treasurer prepares the checks, signs the checks, mails the checks and reconciles the bank account. Strong internal controls require that these procedures be segregated to eliminate the possibility of unauthorized transactions.

We recommend that the Township Clerk or Supervisor receive the bank statements directly from the bank and review the cancelled checks and any other items of correspondence for unusual items. The completion of this procedure should be appropriately documented by the Township Clerk or Supervisor.

This report is intended solely for the use of the Township management and should not be used for any other purpose.

We wish to extend our appreciation to you and your staff for the assistance accorded us during our examination.

Sincerely,

*Berthiaume & Co.*

Berthiaume & Company  
Certified Public Accountants

June 29, 2005

